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HOME AND FOREIGN INTELLIGENCE.

THE STANDARD LIFE ASSURANCE COMPANY.

Established 1825.

INVESTIGATION REPORT AS AT 15TH NOVEMBER, 1865.

EXTRACTS FROM THE REPORTS.

PROGRESS OF THE BUSINESS.

The period from 15th November 1860 to 15th November 1865, to which this Report bears reference, has been marked by very great success in the progress of the Company's business, and the Directors have much pleasure in submitting to the Special Meeting now assembled an account of its operations during that period, with the result of the investigation into its monetary position at the date of the Quinquennial Balance.

Before communicating the results of the investigation, it will be well to recapitulate the results communicated to the Annual General Meetings during the period under review:—

In the year 1861 the New Assurances effected amounted to	£503,854 18 0
In " 1862 " "	506,120 0 0
In " 1863 " "	643,960 0 0
In " 1864 " "	805,980 6 6
In " 1865 " "	1,374,450 1 0
(inclusive of New Assurances effected by the Colonial Company during 1865 for behoof of the Standard Company, amounting to £400,255 : 19s.)	
In all . . .	<u>£3,834,365 5 6</u>

Again, if a comparison be instituted between each Quinquennial Period during the last twenty years, the result stands as follows:—

From 15th Nov. 1845 to 15th Nov. 1850, New Assurances	£2,146,641 12 9
From 15th Nov. 1850 to 15th Nov. 1855, New Assurances	£2,492,988 6 7
From 15th Nov. 1855 to 15th Nov. 1860, New Assurances	£2,815,455 3 0
From 15th Nov. 1860 to 15th Nov. 1865, New Assurances	£3,834,365 5 6

THE REVENUE of the Standard Company was in 1845 .	£103,371 3 5
" " " " " 1850 .	£169,151 16 4
" " " " " 1855 .	£237,480 1 9
" " " " " 1860 .	£304,161 13 7
" " " " " 1865 .	£661,195 0 0

THE FUNDS at the date of the Valuation amounted to £3,651,683.

[We find it also stated in the course of the proceedings that the total sum assured is £15,710,982; that the average amount insured on each policy is £571; that the average age of the assured at entry is a little over 36; and that the average rate of interest on the investments is nearly $4\frac{1}{2}$ per cent. We do not however find any statement of the amount of the divisible surplus.]

PRINCIPLES OF VALUATION.

The tables and data used are the same as were employed in 1860, and at the four previous investigations.

The safety of the mode of procedure in an investigation arises from employing a Table of Mortality which gives a death-rate in excess of the mortality among assured lives, proper care being used in selection, and from the adoption of a low rate of interest, such as the Company can confidently calculate on realising at all periods, with the prospect of a margin for safety and profit. Carlisle 3 per cent Tables, which form the chief basis of the Company's calculations, answer all these requirements. Of equal importance is the question of what is technically termed "loading"—that is, the percentage added to the premiums above the rate necessary to secure the capital assured at death. Out of the loading comes the annual fund for expenses and profit, being in addition to the profit arising on investments and the selection of lives. This matter is a point of great importance, not less so than the question of basis or data, and on its integrity depends greatly the safe and thorough investigation of the affairs of an Assurance Company. The reserve so made is fortunately not an arbitrary amount, as the whole loading must be set aside, not this portion or that portion of it; and the Directors have pleasure in stating that no less a sum than £91,530 per annum of this Company's premium income (worth, probably, fifteen years' purchase) has been reserved as an unvalued asset—that is, no value has been placed upon it, although it is a reliable source of income in future years. This reserve is derived from the premium income of the Company from all sources.

TABLE SHOWING THE BONUS ADDITIONS TO POLICIES

DECLARED FROM THE PROFITS ON THE COMPANY REALISED DURING THE FIVE YEARS
ENDED 15TH NOVEMBER 1865.

Date of Policy prior to 15th Nov.	Sum in Policy.	BONUS ADDITIONS DECLARED.		Total Bonus Additions.	Sum in Policy, with Bonus Additions.
		Previously to 1865.	In 1865.		
1825	£1000	£1440 0 0	£287 0 0	£1727 0 0	£2727 0 0
1830	1000	1115 0 0	252 0 0	1367 0 0	2367 0 0
1835	1000	790 0 0	217 0 0	1007 0 0	2007 0 0
1840	1000	515 0 0	182 0 0	697 0 0	1697 0 0
1845	1000	302 10 0	147 0 0	449 10 0	1449 10 0
1850	1000	152 10 0	112 0 0	264 10 0	1264 10 0
1855	- 1000	57 0 0	77 0 0	134 0 0	1134 0 0
1860	1000	8 0 0	42 0 0	50 0 0	1050 0 0
1865	1000	..	7 0 0	7 0 0	1007 0 0

Bonus Additions do not vest until the Policies have been in existence for Five Years from the date of the risk commencing.

THE ECONOMIC LIFE ASSURANCE SOCIETY.

Established 1823.

EIGHTH QUINQUENNIAL REPORT.

THE Directors of the ECONOMIC LIFE ASSURANCE SOCIETY feel much pleasure in presenting to its Members their report of the result of the investigation made into the affairs of the Society at the close of the quinquennial period which terminated on the 31st December, 1863.

Since the last Division, 2,641 Policies, assuring £2,050,788, have been issued, giving an annual average of 528 Policies of £777 each—a large and steady increase of the business.

The sum of £72,702 has been received during the five years in new Premiums, being at the rate of £14,540 a year.

The total income from Premiums, which in 1859 was £182,429, now amounts to £214,104, indicating an average annual increase of £4,385, after allowing for loss of income from discontinued Policies; while the gross income from all sources has increased at the rate of £10,230 per annum.

Claims have arisen during the five years on 794 Policies assuring £624,327, and carrying Bonuses to the amount of £116,899.

In addition to the Bonuses on Policies upon which claims have arisen, the sum of £87,149 has been paid as bonus in other ways, such as in reduction of bonus liability by cash payment, reduction of premium, purchase, &c., making a total of £204,048.

In the valuation of the Assets, an ample margin has been allowed for possible fluctuation of the Funds; and in the valuation of the Liabilities, the *risk* Premiums only have been taken into account. The remaining portion of the Premium income, after defraying the expense of management, commission, &c., will accumulate till the next Division, when the amount realised will be found in the surplus. By this arrangement, old and new Assurers contribute rateably to the expenses of management, and no profit is declared by anticipation.

The Assets, consisting of Funded Property, Mortgages, Life Interests, and Reversions, Premiums due on 31st December (since paid), Interest accrued on Investments, Balance at Bankers and in hand, amount to £2,315,129. 19s. 2d.

The Liabilities, consisting of the values of Policies and the Bonuses already declared, claims accrued in 1863 but due in 1864, commission, taxes, and sundry small accounts, amount to £1,964,739. 1s. 7d. There is therefore, after making provision for every known liability, a surplus of £350,390. 17s. 7d.

The Directors recommend that £329,890 of this surplus be distributed as absolute Bonus; and that the remaining sum of £20,500. 17s. 7d. be retained for the payment of annual, contingent, and conditional Bonuses.

It is further recommended, that out of this sum of £20,500. 17s. 7d. an annual Contingent Bonus of £1 per cent. per annum be added to the absolute Bonus on such Policies, now entitled to participate, as shall become claims during the current quinquennial period, viz.:—

On Policies which become claims in 1864, £1 per cent. on sum assured.

”	”	1865, £2	”	”
”	”	1866, £3	”	”
”	”	1867, £4	”	”
”	”	1868, £5	”	”

To those Policies which are not entitled to participate in the present Bonus, by reason of five annual Premiums not having been paid upon them, but on which claims may arise after the payment of the fifth annual Premium and before the next quinquennial investigation, they propose to add a Bonus of like amount as if five annual Premiums had been paid prior to the present Division.

The sum of £329,890 will produce reversionary Bonuses amounting to £506,300, yielding a percentage ranging from 5 to 34, or $9\frac{1}{8}$ on the average of the sums assured; and a percentage ranging from 26 to 160, or $59\frac{1}{2}$ on the average, on the Premiums received in respect of which the Bonus is allotted.

The same options are offered as at the last Division, and to the present Bonus may be taken either

- 1st. In Money;
- 2nd. In an addition to the sum assured;
- 3rd. In a reduction of the Premiums for five years only; or
- 4th. In a reduction of the Premiums for the remainder of life.

The Society now assures by 9,022 Policies the sum of £7,233,564, and has an Assurance Fund amounting to £2,272,385. 11s., and an Annual Income of £307,475. The large number of assurances in force, affords a protection to the Society against those deviations from the average which attend a paucity of numbers.

EQUITY AND LAW LIFE ASSURANCE SOCIETY.

Established 1844.

BONUS REPORT, 1864.

The Fourth quinquennial period of the Society's operations having closed on the 31st December last, the Directors have caused a careful valuation to be made by the Actuary of the assets and liabilities of the Society as at that date; and have now in conformity with the provisions of the Deed of Settlement, to report the results to the Proprietors and the Assured.

It will be convenient in the first instance to give a summary of the progress of the Society since the last valuation. In the five years in question, there have been issued 805 new policies insuring £1,159,619 the average amount of each policy being £1,440. In the previous five years, the number of policies issued was 725, insuring £792,485 and averaging £1,093 each.

It is worthy of note that during the last five years the practice of effecting insurances against the birth of issue, in connection with loans on contingent reversionary interests, has grown into importance. Up to the present date, such insurances have been effected with this Society to the

extent of £98,320; and the premiums received in respect of them, have amounted to £5,869.

On the 31st December, 1859, there were in force 1,336 policies, insuring £1,403,880; and adding to these the policies since issued, there are 2,141 policies insuring £2,563,499 to be accounted for. Of these, 105 insuring £72,825, have become claims; 280 insuring £311,908, have terminated by lapse, surrender, or expiry, leaving 1,756 policies in force on 31st December last, insuring £2,178,766.

The number and amount of the policies in each class of Assurance are shown in the following table, in which the non-participating policies are distinguished from the participating:—

TABLE SHOWING THE NUMBER AND AMOUNT OF THE POLICIES IN FORCE ON 31ST DECEMBER, 1864.

Class of Assurance.	PARTICIPATING POLICIES.				NON-PARTICIPATING POLICIES.		
	No. of Policies.	Sums Assured.	Existing Bonuses.	Annual Premiums.	No. of Policies.	Sums Assured.	Annual Premiums.
Whole Life.....	1,241	£1,439,774	£67,798·3	£45,285·074	321	£433,693	£15,382·924
Limited Payments	8	14,200	329·0	778·675	1	3,000	195·000
Ascending Scale	1	5,000	..	68·750	9	13,500	313·368
Endowment Assurances	8	3,650	87·0	175·238	5	10,750	406·646
Joint Lives	10	12,300	706·5	784·196	4	1,650	125·280
Last Survivor	8	16,800	1,133·5	300·067	7	13,900	275·350
Contingent .....	..	..	..	..	63	89,590	1,387·565
					410	£566,083	£18,086·133
Endowments .....	..	..	..	..	2	200	..
Term Policies .....	..	..	..	..	35	54,450	1,219·945
Assurances against Issue .....	..	..	..	..	22	66,309	..
Extra Premiums .....	..	..	..	..	..	..	585·917
Immediate Annuities .....	..	..	..	..	5	(923·333 per annum)	..
Deferred ditto .....	..	..	..	..	1	(30·000 ")	9·525
Reversionary ditto .....	..	..	..	..	5	(745·000 ")	138·858
TOTAL.....	1,276	£1,491,724	£70,054·3	£47,392·000	480	£687,042 (& £1,698·333 p. ann.)	£20,040·378
Total Participating and Non-Participating Policies			No. of Policies.	Sums Assured.	Existing Bonuses.	Annual Premiums.	
			1,756	£2,178,766	£70,054·3	£67,432·378	

It will be noticed that the non-participating policies amount to about 30 per cent. of the whole business; and the profit arising therefrom far exceeds the proportion—one tenth of the whole—which is appropriated, under the provisions of the Deed of Settlement, to the Proprietors. Thus, the Assured who participate in the profits, divide among themselves more than the whole of the profits derived from their own policies.

In estimating the liability of the Society under its various insurance contracts, it has been the wish of the Directors to strengthen the position of the Society by making an ample reserve, rather than to divide the largest sum which circumstances might seem to justify. A very large profit has been derived during the last five years from the claims being

much lighter than could have been possibly expected, the losses having reached only 55 per cent. of the anticipated amount; but the Directors consider it would be unwise to divide the whole of this profit on the present occasion. The process of valuation employed has therefore been of the most stringent character.

The Table of Mortality made use of has been that known as the "Experience Table," which would appear to be the most suitable, as having been derived from observations on assured life, furnished by seventeen Insurance Companies. The reserve obtained by the use of this Table is considerably larger than that given by any of the other Tables commonly employed. The rate of interest assumed in the calculations is three per cent., being the rate commonly adopted for the purpose, as the highest which can with prudence be assumed as likely to prevail permanently during the currency of the policies. The whole of the loading, or addition to the net premium for expenses, contingencies, &c., has been thrown off in estimating the value of the future premiums. In these and other respects, the greatest care has been taken to avoid everything in the nature of anticipation of profits not yet realized.

With these explanations the Directors would call attention to the following Balance Sheet in which the position of the Society on 31st December, 1864, is clearly set forth.

BALANCE SHEET, 31ST DECEMBER, 1864.

LIABILITIES.

	£	s.	d.
Value of £1,491,724 assured under 1,276 Policies with profits	777,364	14	0
Value of £70,054 Bonuses thereon	40,926	12	0
Value of £566,083 assured under 410 Policies without profits	271,145	0	0
Reserve for Short Term Insurances, Extra Risks, Special Cases, &c.	13,219	8	0
Claims announced and other liabilities	919	4	0
Balance,—being the excess of Assets over Liabilities	<u>72,357</u>	17	7
	<u>£1,175,932</u>	15	7

ASSETS.

	£	s.	d.	£	s.	d.
Amount of Assurance Fund as per printed account				383,966	5	7
Value of £47,392 Annual Premiums on policies with profits	700,825	2	0			
Less reserve for expenses, future bonuses, and contingencies	140,020	14	0	<u>560,804</u>	8	0
Value of £18,086 Annual Premiums on policies without profits	226,352	18	0			
Less reserve for expenses, &c.	29,744	10	0	<u>196,608</u>	8	0
Value of Reassurances for £255,348				34,553	14	0
	<u>£1,175,932</u>	15	7			

The Directors recommend that of the above Balance of £72,357 a sum of £2,400 should be appropriated to reduce the price at which the Society's house stands in the books; and that the remaining sum of £69,957 be actually divided. The share of the Proprietors will be £6,995 14s., which will allow of the payment of an increased dividend for the ensuing five years

at the rate of 8s. 6d. per share, or $8\frac{1}{2}$ per cent. on the amount originally paid. The amount to be divided among the Assured will be £62,961 6s. and the amount of the policies which will participate on the present occasion, being effected on the participating scale and of more than one year's standing, is £1,339,608. At the last Division of Profits the sum of £39,500 was divided among policies for the sum of £925,306. If the same relation still subsisted, the sum to be divided among the Assured would be £57,186. The sum now to be divided is, therefore, considerably larger in proportion; and this, notwithstanding that a larger proportionate reserve has been made.

In distributing the above sum among the Assured, care has been taken to adjust equitably the shares of persons insuring at differing periods in the Society's existence. A somewhat larger bonus will be given to the persons who insured many years ago, than to persons who have insured at the same age more recently; but this difference is proportioned to the larger profit derived in the former case; and *no advantage is given to the older Assured at the expense of the more recent*. A larger bonus will be also given to those persons who chose the reversionary bonus at former divisions, than to those who have received the value of the former bonuses in cash, or Reduction of Premium.

The principle on which the distribution has been made, will be better understood when it is stated, that the average rate of interest at which the Funds of the Society (including the unproductive assets) have been improved during the last five years, has been £4 8s. per cent. per annum, after deduction of Income-tax. In all the valuations, it has been assumed that three per cent. only would be realized; and the profit from this source upon the amount of funds on 31st December, 1859, forms a considerable sum, of which persons who have insured subsequently, have contributed no part.

The general results of the four Divisions of Profit are shown in the following Table of the total additions made to 31st December, 1864, to policies of £1000 each:—

Age at Entry.	NUMBER OF PREMIUMS PAID.			
	Twenty.	Fifteen.	Ten.	Five.
20	£303 10	£228 0	£161 10	£71 10
30	342 10	250 10	176 0	77 0
40	385 0	280 10	197 0	85 0
45	411 10	303 10	210 0	90 10
50	438 0	334 0	231 0	99 10
55	..	332 10	265 0	113 10
60	..	450 10	316 10	133 10